competitive philosophy of the White Paper and Peacock would be simply to sell the franchises and then allow them to be traded among potential broadcasters.

CONCLUSION

British broadcasting will never be the same. The advance of technology and demand of viewers for more choice will lead to more channels and a greater diversity of technologies used to deliver programmes to the viewer and listener. What the final outcome of this upheaval will be is anyone's guess. But if a richer and more varied service is to be provided it is the consumers and providers interacting in the market-place who must decide rather than governments or regulators. This does not imply a *laissez-faire* system where anything goes. Broadcasters must operate within the legal framework which governs taste and decency and the protection of privacy. But beyond these minimum constraints the market should decide. This is the half-belief of the White Paper. Yet underneath remains the conviction that broadcasting is much too important to be left to the market.

For some the White Paper draws the line too far in favour of censorship and intervention; for others it is the manifesto of a cultural Visigoth intent on destroying the best broadcasting system in the world.

From C. Veljanovski ed. Freedom in Broadcasting, Institute of Economic Affairs, 1989

2

THE CASE FOR THE CONSUMER MARKET

Samuel Brittan

Assistant Editor, Financial Times

LET ME TAKE as my starting point the conclusions of the Committee on Financing the BBC (The Peacock Committee), which reported in 1986 and of which I was a member. Although triggered off by the question of the BBC licence fee, much larger issues were raised.

PRINCIPLES AND CONCLUSIONS OF THE PEACOCK REPORT

Early in the final chapter of the Report, the Committee stated its agreement with those witnesses who, in criticism of what they thought were too narrow terms of reference,[1] maintained 'that before we can devise guidelines for the finance of broadcasting, we have to specify its purposes'. The Report's own central finding (para. 592) was that

> 'British broadcasting should move towards a sophisticated market system based on consumer sovereignty. That is a system which recognises that viewers and listeners are the best ultimate judges of their own interest, which they can best satisfy if they have the option of purchasing the broadcasting services they require from as many alternative sources of supply as possible.'

The fundamental aim of broadcasting policy was stated to be 'enlarging the freedom of choice of the consumer and the opportunities to programme-makers to offer alternative wares to the public'. Then followed two paragraphs that alone justified all the labour expended on the Report (paras. 548 and 549):

[1] The Committee's terms of reference are reproduced in Box 1, below, p. 27.

'Our goal is, of course, derived from aims much wider than any applying to broadcasting alone. They are embedded, for example, in the First Amendment to the US Constitution (15 December 1791). This lays down *inter alia*:

> "Congress shall make no law ... abridging the freedom of speech or of the Press ..."

It is often taken by US writers to mean both that broadcasting monopolies are to be prevented and that government intrusion of a negative, censorious kind is to be avoided.

'Another way of looking at the matter is *via* the parallel with the printing press, which was subject to many kinds of regulation and censorship in the first two and a half centuries of its existence. The abolition of prepublication censorship by Parliament in 1694 – leaving the printed word to be regulated by the general law of the land – was described by Macaulay as a greater contribution to liberty and civilisation than either the Magna Carta or the Bill of Rights.'[2]

Later we said (para. 696):

> 'The end of all censorship arrangements would be a sign that broadcasting had come of age, like publishing three centuries ago. Prepublication censorship, whether of printed material, plays, films, broadcasting or other creative activities or expressions of opinion, has no place in a free society and we would want to advise Government and Parliament to embark forthwith on a phased programme for ending it.'

The Committee did not apply the slogan 'anything goes' to broadcasting any more than it is applied to print publishing or the theatre. Recommendation 18 stated that 'the normal law of the land relating to obscenity, defamation, blasphemy, sedition and other similar matters should apply to broadcasting'. Exemptions, in favour of broadcasting, the main example of which is the 1959 Obscene Publications Act, will therefore have to go, as regulation fades.

The organisation of British broadcasting, as it has existed for most of its life, flies in the face of the goals just stated. The main features of the British broadcasting system have been that the BBC has had a monopoly of tax finance (the licence fee is, of course, a hypothecated household tax), and the ITV and Independent Local Radio (ILR) companies have had a monopoly of advertising finance.

Not only has broadcasting been a duopoly, it has been a highly regulated one. The BBC has had the right to interpret its responsibility to 'educate, inform and entertain' and the Independent Television (ITV) companies have been regulated by the Independent Broadcasting

[2] Macaulay, *History of England*, Chapter XXI: 'While the Abbey was hanging with black for the funeral of the Queen, the Commons came to a vote which at the time attracted little attention, which produced no excitement, which has been left unnoticed by voluminous analysts, but which has done more for liberty and civilisation than the Great Charter or the Bill of Rights.'

BOX 1

The Task of the Peacock Committee

The Home Secretary announced on 27 March 1985 that this Committee was to be established with the following terms of reference:

(i) To assess the effects of the introduction of advertising or sponsorship on the BBC's Home Services, either as an alternative or a supplement to the income now received through the licence fee, including:
  (a) the financial and other consequences for the BBC, for independent television and independent local radio, for the prospective services of cable, independent national radio and direct broadcasting by satellite, for the press and the advertising industry and for the Exchequer; and
  (b) the impact on the range and quality of existing broadcasting services; and

(ii) to identify a range of options for the introduction, in varying amounts and on different conditions of advertising or sponsorship on some or all of the BBC's Home Services, with an assessment of the advantages and disadvantages of each option; and

(iii) to consider any proposals for securing income from the consumer other than through the licence fee.

Source: Peacock Report, Cmnd. 9824, London: HMSO, 1986, para. 1.

Authority (IBA) – another government-appointed body. The right of anyone to publish material, or produce a work of art, so long as he can attract consumer support or finance himself in any other way and observe the law of the land, has simply been absent from British broadcasting. The First Amendment provision that Congress may make no law abridging freedom of speech is in flat contradiction to the British system as it has developed.

Much worse than the method of financing the BBC – which may have been a regrettable necessity for a time – has been the general assumption that broadcasting, unlike the Press and the theatre, needs to be regulated, that is, censored. Cries of censorship are usually confined to particular programmes which displease the Government. But the whole process of the IBA, both its continuing vetting of schedules and programmes and its long-term power to withdraw franchises from contractors who displease, has amounted to censorship.

Members of Parliament who identify freedom of speech and freedom of artistic expression with soft porn are merely revealing something about themselves. Many other matters are involved. Examples of broadcasting suppression include decisions not to broadcast a programme on Count Tolstoy's book about British involvement in the forced repatriation of anti-Communist Russians and Yugoslavs and a critical programme on the role of the IBA itself. In an earlier period, Churchill's warnings on the dangers of Hitler were kept off the air to please the party Whips.

A free market in ideas implies, however, a market in a more mundane sense. It is precisely because we are not dealing with baked beans or package holidays but with the communication of ideas, and the dissemination and analysis of news and artistic endeavour, that freedom of entry by producers and freedom of choice by consumers to the maximum feasible extent are so vital. There is no need to enter into a metaphysical debate whether the consumer is the best judge of artistic quality or the best judge of which programmes will benefit him, or his capacity for citizenship. The point is that no one person or group, or committee, or 'establishment' can be trusted to make a superior choice.

A competitive market does not just mean providing the consumer with 'what he wants'. The Report noted that the market is a 'discovery mechanism for finding out by trial and error what the consumer might be enticed to accept (as well as the least-cost method of supplying it) and for trying out new and challenging ideas'. Indeed, we cited the late Sir Huw Wheldon's criticism of the false dichotomy between giving the viewer what he or she wants and what he or she ought to have. According to Wheldon, the producer or creator provides what is 'in him to give'. The proviso in a market economy is that a sufficient number of consumers must be persuaded to take it.

Incentives to Inefficiency

Apart from its restrictive effects on freedom and choice, the British duopoly has been a byword in high costs and restrictive practices. The view that costs have been unnecessarily high is supported both at the anecdotal level and that of elementary economic theory.

Indeed, many outsiders who have taken part in broadcasts, whether in the BBC or ITV, have been amazed by the large crews and other staff involved and by a network of 'Spanish practices' rivalled only by Fleet Street in its heyday. The most astonished have been people with experience of non-British networks.

This is what one would expect from the duopoly. The BBC could not be displaced by lower-cost suppliers of similar output; and IBA franchise-holders have not been under competitive pressure from rivals – at least not until very recently. As the Peacock Committee remarked (para. 585), 'No amount of scrutiny by accountants or consultants can be a substitute for the direct pressures of a competitive market'.

But are not these distortions fading with the imminent explosion of broadcasting choice resulting from cable and satellite? The first answer is that the future takes time to occur. Some 50 per cent of all homes could still be dependent on the present four mainstream channels up to the end of the century. So *ad hoc* temporary measures – like quotas for independents – are still required.

But more fundamentally, and contrary to what is often supposed, commercial rivalry among advertising-financed channels does not represent a genuine consumer market.

Advertising and the Consumer

The popular view that Peacock opposed forcing the BBC to take advertising because there was 'not enough advertising revenue to go round' is wrong. The econometric studies did not – and could not – have decided the argument either way. Given the subsequent upsurge in advertising revenue and rates it is as well that we did not base our findings on elasticity pessimism.

The Report stated (para. 617):

> 'The main defect of a system based on advertising finance is that channel owners do not sell programmes to audiences, but audiences to advertisers. So long as the present duopoly remains in being and competition is limited to a fringe of satellite and cable services, the introduction of advertising is likely to reduce consumer choice and welfare. It could do so both by driving the BBC into a ratings war and by putting financial pressure on ITV companies which would make it more difficult for them to provide minority programmes. The result could be an inadequate supply of programmes which many of us watch some of the time and some of us watch most of the time, but which do not achieve top audience ratings'.

These conclusions would stand over a very wide range of estimates for the price and income elasticity of demand for advertising.

Advertising-financed broadcasting does not accurately reflect consumer requirements – at least, while the number of channels is severely limited – because:

(a) the ratings will inevitably dominate and minority tastes will be under-represented (and we all belong to minorities some of the time), and

(b) even the ratings do not measure intensity of preferences – whether a viewer is keenly interested in a programme or barely conscious of what is in front of him.[3]

Maybe if audiences were highly segmented the conclusion would not follow and there could be a television equivalent of the *Financial Times* or

[3] B. M. Owen, J. H. Beebe, and W. G. Manning, *Television Economics*, Lexington, Mass.: Lexington Books, 1974.

Guardian. But audience research has shown that the social profile of *Panorama* viewers is not very different from that of *Dallas* viewers; there are just fewer of them. Advertisers have not, up to now, been prepared to pay more per viewer minute for one type of programme than another, whatever the future may hold.

A further conclusion is that with a sufficiently large number of channels the difference between pay-per-view and advertising finance diminishes. (If there are many dozen channels, the typical channel cannot expect more than a small proportion of viewers. It may therefore do just as well to go for minority or specialist audiences as compete in the transmission of soap operas.)

There is no general theory on quite how large 'sufficiently large' is. Experience in the USA and Italy suggests that the number is quite high. Nor is it likely that advertising-financed channels could finance all the higher-cost programmes which might be viable under pay-per-view or pay-per-channel. (A full analysis would also have to take into account the disutility to the viewer of the large amounts of advertising time necessary to pay for minority programmes – a subject crying out for research.)

The existence of a tax-financed BBC and the IBA regulation of commercial television were both justified by the Peacock Report as second-best attempts to replicate artificially the programme structure of a broadcasting market with pay-TV – together with some public service, in the sense described below.

'Mimicking the market' cannot, however, be satisfactory in the long run. The traditional system has suffered from weak cost control, the absence of true market signals for which no amount of audience research can be a substitute, and vulnerability to political and other pressures. True market signals require both consumer charging systems and more channels.

Public Service

Some broadcasters will wonder how I could have gone so far in this chapter without mentioning the magic words 'public service'. These are indeed puzzling and embarrassing words for liberal economists who assume that all provision for the consumer on a competitive basis in a non-distorted market is a public service. Broadcasters do not help by using the term to describe anything the BBC (or even ITV) chooses to do. But a useful, if narrower, meaning can be elicited by dwelling on the distinction between paternalism and patronage.[4] Paternalism is embodied in Lord Reith's dictum: 'Few know what they want and fewer still what they need'.

Patronage is completely different. Under a patronage system, consumers express their desires in the market-place, in the Arts and entertainment as in other spheres. Market-financed activities are,

[4] Alan Budd, 'Is Broadcasting Different?', *Public Money*, November 1986.

however, supplemented by support for selected activities by rulers or rich individuals, such as the Medici family's patronage of Michelangelo or the Esterhazy patronage of Haydn. (Most of London's statues and monuments are the result of patronage.) While both private and corporate patrons still have a role to play, much of the burden of supplementation today falls on the public purse.

A democratic justification is that viewers and listeners may themselves be willing to support activities in their capacity as voting taxpayers which they are not prepared to pay for directly as consumers in large enough numbers. For instance, many citizens who rarely go near our National Galleries value their existence and are prepared to contribute as taxpayers to their upkeep.

The application to broadcasting made by the Peacock Report (para. 566) is that public intervention should be of a

> 'positive kind and transparent, to help finance additional production, rather than of a negative, censorious kind, oblique and undetectable, which even the best systems of regulation risk becoming, and also that such patronage should account for a modest proportion of total broadcasting'.

A 'Public Good'

There is one argument against pay-per-view or pay-per-channel to which Peacock in the end gave less weight than some other writers and broadcasting economists. In strict theory, a charging system would lead to 'too little broadcasting'. For the great bulk of programmes, the cost of provision is independent of the number of viewers. Once a programme has been made, the marginal cost both to society and to the broadcaster of additional viewers and listeners is negligible. A switch to Pay-TV would therefore exclude some viewers for whom the programmes have value, without saving any real resources.

Charles Jonscher[5] has indeed shown that from a public good point of view advertising finance has similar characteristics to the licence fee; for it too finances a public good without the excluding effects of direct consumer pricing. Indeed, *if*

(a) advertising breaks are sufficiently brief (or entertaining) so as not to interfere with viewer enjoyment, *but*

(b) advertising has no beneficial effects in informing consumers, or in achieving efficient production volumes, and is thus a pure burden on consumers, paid for in the price of final products, *then* the licence fee and advertising finance have identical welfare effects. If (a) is satisfied, but advertising has net economic benefits, then advertising will be *superior* to a licence fee.

[5] Booz, Allen, *Subscription Television: A Study for the Home Office, Final Report, May 1987*, London: HMSO, 1987.

Thus Jonscher endorses a combination of the licence fee and advertising finance. His advocacy of new subscription services is a second-best recommendation, based on the postulated political difficulty of raising the licence fee to the level he regards as economically desirable.

The main criticism of the Jonscher analysis is of the welfare economics on which it depends. If this is open to question so is the endorsement of both tax-financed broadcasting and the advertising-financed equivalent. The underlying objection was put very succinctly by Sir Alan Peacock, 10 years before the broadcasting report which bears his name:

> 'The existence of market failure leads welfare economists all too readily to assume that there is an efficient and costless form of government action always at hand to rectify the market's deficiencies . . . Seldom are the costs of the control methods themselves evaluated: and the kinds of distortion inevitably associated with bureaucratic control are conveniently forgotten. [Welfare economics] is a curious blend of often penetrating observation of the workings of the market system with an astonishingly naive view of the political and bureaucratic process'.[6]

The relevance of these strictures is clear in relation to tax-financed broadcasting systems. Not only is there no guarantee or even likelihood that the political process will discover, still less introduce, an optimal licence fee; but guaranteed state finance provides an incentive to pad out costs and to give undue weight to producers' rather than consumers' tastes. This last point is particularly important in the case of broadcasting which is not a homogeneous product, like electricity, that can be supplied in 'optimum' quantities. Rather, it is a diversified service where the choice of what to transmit is as important as the quantity received.

In the case of advertising finance, other distortions have already been mentioned, arising from selling audiences to advertisers rather than programmes to audiences. This process is likely to result in an under-representation of minority or specialist tastes, judged not by Reithian but by normal standards of consumer sovereignty.

Jonscher is, of course, well aware of these distortions and relies on IBA-type regulation to protect us from them and make ITV 'more like BBC1 than US television'. But the IBA is another state-appointed body and has functioned through censorship, both via its power over schedules and programme content, and via the power to award franchises.

If the state is to pay the piper, or regulate the piper's activities, it will eventually seek to call the tune – to the amazed indignation of the broadcasting fraternity which thinks it can have the benefits of state finance or regulation without paying the costs.

[6] Alan Peacock, *The Credibility of Liberal Economics*, Occasional Paper 50, London: IEA, 1977.

Conditions for an Effective Market

The conclusion I would draw from Charles Jonscher's Booz Allen Report is that there are three known methods of payment for television: advertising, Pay-TV and tax finance. Each has drawbacks. Advertising finance has a bias towards the mass market and is not sensitive to intensity of preferences. Pay-TV runs into public good problems – that is, viewers are excluded who could be supplied at little extra cost. Tax finance has all the well-known problems of government subsidy and public-sector involvement. The way to overcome these drawbacks in the broadcasting market is to use a mixture of all three methods.

This pluralism is implicit in the Peacock Report; but with hindsight I wish it had been more explicit. It would then have been clear beyond doubt that pay services were meant to provide opportunities additional to advertising and tax-financed channels, and not to replace either of them.

The following preconditions for a genuine consumer market are set out in the Report:

1. Viewers must be able to register directly their preferences and register their intensity.
2. There must be freedom of entry for any programme-maker who can cover his or her costs or otherwise finance production.
3. Operators of transmission equipment, where monopoly is likely to prevail, must have common carrier obligations and accept regulated prices.

As the third condition suggests, some members of the Committee (myself included) were impressed by Peter Jay's vision of a fibre-optic network which would enable an indefinite number of channels to be received by householders who could pay directly per view or per channel for what they chose to receive. But the Committee was careful to avoid endorsing any one specific transmission technology.

It did, however, envisage three stages, stretching into the next century, over which a broadcasting market would be implemented:

1. Index-linking of the BBC licence fee.
2. Direct subscription to the BBC to replace the main part of the licence fee.
3. Multiplicity of choice with pay-per-view, as well as pay-per-channel, available.

Index-linking of the licence fee was recommended for the early years for three reasons. Firstly, it would furnish a systematic and agreed formula to provide for BBC finance in Stage 1 and avoid the sudden leaps of the old system. Secondly, index-linking would

> 'put some pressure on the BBC to exploit its revenue-earning potential

BOX 2

Peacock Committee: Recommendations for Stage One

Recommendation 1: All new television sets sold or rented in the UK market should be required from the earliest convenient date, and in any case not later than 1 January 1988, to have a peritelevision socket and associated equipment which will interface with a decoder to deal with encrypted signals.

Recommendation 2: BBC television should not be obliged to finance its operation by advertising while the present organisation and regulation of broadcasting remain in being.

Recommendation 3: The licence fee should be indexed on an annual basis to the general rate of inflation.

Recommendation 4: To permit the BBC to be the managing agent in the collection of the licence fee, the Post Office should be released from its responsibility as agent to the Home Office for collection and enforcement procedures associated with the licence fee. The BBC should become responsible for inviting proposals for collection and enforcement procedures and for identifying the most efficient and economic collection and enforcement system. (The Post Office, of course, could tender for the role of agent.)

Recommendation 5: On the understanding that the proceeds would be used to reduce the cost of the television licence and not to increase the total sum available for broadcasting, a separate licence fee of not less than £10 should be charged for car radios.

Recommendation 6: Pensioners drawing supplementary pension in households wholly dependent on a pension should be exempt from the licence fee.

Recommendation 7: The BBC should have the option to privatise Radios 1, 2 and local radio in whole or in part. IBA regulation of radio should be replaced by a looser régime.

Recommendation 7a: Radio 1 and Radio 2 should be privatised and financed by advertising. Subject to the Government's existing commitments to community radio, any further radio frequencies becoming available should be auctioned to the highest bidder. IBA regulation of radio should be replaced by a looser régime. (Supported by five out of seven members of the Committee.)

Recommendation 8: The BBC and ITV should be required over a 10-year period to increase to not less than 40 per cent the proportion of programmes supplied by independent producers.

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Recommendation 10: Franchise contracts for ITV contractors should be put to competitive tender. Should the IBA decide to award a franchise to a contractor other than the one making the highest bid it should be required to make a full, public and detailed statement of its reasons. (Supported by four members of the Committee.)

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Recommendation 12: Consideration should be given to extending the franchise periods, perhaps to 10 years.

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more forcefully and to think more carefully before embarking on peripheral activities far removed from its core obligations'. (para. 621)

The third and most important reason was that it would

'bring a measure of insulation of the BBC from political influence. The evidence suggests that the need to renegotiate the licence fee does at least occasionally influence the Corporation in its general policies and its attitude to particular programme suggestions. Indexation will not eliminate the paymaster relationship, but will put it more at arm's length'. (para. 624)

Independent Quotas

A key Stage 1 recommendation[7] was that the BBC and ITV should be required to take a quota of programmes from small independent producers. These producers had emerged mainly as a result of Channel 4's mandate to buy its programmes from outside. The recommendation had a twin justification. One was to impose some check on broadcasting costs, which greater competition between in-house and independent producers would bring. As the Report stated (para. 647), 'Witnesses from the ITV contractors have stressed that the requirements for in-house production are at the root of union restrictive practices'. Secondly, and of greater importance, the Committee (para. 647) thought it 'extremely unhealthy, for reasons of freedom of speech and expression, that independent producers should face what is virtually a monopoly buyer in Channel 4'. Moreover, the recommendation 'would have the great advantage of encouraging new small-scale units in preparation for the more competitive markets to come'.

Another attempt to put pressure on inflated costs was the recommendation by four out of the seven members that ITV franchise contracts should be put to competitive tender. We noted that the inflation of costs had its main origin in the ITV sector:

'Inevitably the profits theoretically obtainable from a monopoly franchise in a large and prosperous region are shared between the contractors and the unions, with the taxpayer - the real freeholder of the franchised public asset - coming a poor third through the levy.' (para. 645)

The combination of the levy system (which is on profits) and the discretionary allocation of franchises does not offer enough incentive to economise on costs. As monopoly profits would be creamed off in advance under the tender system, the need for the present levy on profits would go.[8]

As before, there was also a more political thought in the Peacock reasoning, namely to introduce an element of 'due process' into what has been a highly arbitrary exercise of power by the IBA, which has allocated franchises entirely at its own discretion on a basis it has never deigned to explain.

Freedom for Radio

Radio was certainly not overlooked by Peacock, but it did receive less attention. One reason was that the prospects for advertising revenue, the issue which led to the Committee being set up, were clearly much brighter in television than in the ailing ILR system. In addition, the various methods of extending consumer choice, such as cable, satellite and direct consumer payment, were envisaged in relation to television; and it was not clear if they could be extended to radio.

The Committee did declare finally (para. 640) that:

'The case for continued regulation of radio, even in Stage 1, is much weaker than for television. The ordinary listener can with his existing equipment already receive a far greater number of radio than television signals - and the discrepancy is even larger when overseas stations are taken into account. Moreover, Radios 3 and 4 (which cover music and speech) and BBC Local Radio already supply the additional 'range and quality' which commercial stations may not, at present, be able to provide profitably. Regulation of the (commercially hard-pressed) commercial sector does little for the listener.'

The Committee's recommendation that 'any further radio frequencies becoming available should be sold to the highest bidder' is more important than the more publicised and rejected majority proposals to privatise Radios 1 and 2. So, too, is the unanimous recommendation that IBA regulation of radio be replaced by a looser régime, such as that operated by the Cable Authority.

The case for a looser régime was subsequently endorsed by the Government Green Paper on radio,[9] and other official pronouncements. Radio is to be taken from the IBA and put under a new authority. Competitive tenders have been accepted for national commercial channels, but curiously not for local radio.

Pay Television

The most far-reaching specific recommendation was the one designed to pave the way for the fuller broadcasting market of the future, admittedly largely for television.

One precondition for a full broadcasting market is that all the many legal obstacles 'restricting both pay-per-channel and pay-per-view programmes as options for terrestrial broadcasting, as well as Direct Broadcasting by Satellite (DBS) and cable should be removed'. Another

[7] All the Peacock Committee's Stage One recommendations are reproduced in Box 2, pp. 34-35.

[8] The reference of restrictive practices in film and broadcasting to the Monopolies and Mergers Commission announced in 1987, although valuable, is secondary to direct policy measures, such as the ones discussed above in the main text.

[9] Home Office, *Radio - Choices and Opportunities*, Cm. 92, London: HMSO, 1987.

recommendation called for the removal of restrictions to allow national telecommunication systems, such as British Telecom and the new competitor, Mercury, 'to act as common carriers with a view to the provision of a full range of services, including the delivery of television programmes'. We had in mind the possibility of Telecom acting as a common carrier to provide a fibre-optic network which would transmit both telephone messages and an indefinitely large number of television channels.

Subscription to the BBC was recommended 'well before the end of the century' as a step towards consumer choice by which viewers would voluntarily pay for BBC television instead of being forced to do so through the tax system.

Contrary to what is often supposed, the Committee did not say that pay-per-view should be the only, or even the main, form of payment in the full broadcasting market – merely that it should be available. Paragraph 600 of the Report commented:

> 'It is a common misunderstanding to suppose that in a fully developed broadcasting market most people would spend most of their time facing a bewildering set of dials, trying to make up their minds between thousands of alternative programmes. Of course, many people for much of the time will prefer to economise on the effort of choice by paying for packages of programmes or whole channels, just as at present people buy collections of published material in the form of newspapers, magazines and journals, as well as individual books. So it would be with multiplicity of choice in broadcasting.'

The point is that just as some readers want books or pamphlets as well as newspapers and journals, so viewers and listeners should be able to buy individual programmes at varying cost per unit of time to supplement their channel reception if they so wish.

Media experts are fond of telling us that the public demand is only for pay-per-channel; but such judgements are premature. Pay-per-view is only now beginning to become available in the US broadcasting market, which is not nearly as advanced as is often supposed. The demand for pay-per-view will only become clear after the opportunities and limitations of the video cassette have been discovered and reached.

Arts Council of the Air

The aim of a sensible broadcasting policy is *not* to maximise quality. That is the part of the case for a broadcasting market that many people find difficult to grasp. The furniture industry does not try to maximise the quality of the average chair, and publishers certainly do not try to maximise the quality of the average book. Consumer associations and book reviewers try to promote their view of desirable standards; but in the end the customer is judge and jury. It is the *process* of personal choice that

is itself desirable, and not what I or any other commentator personally happens to think of the results.[10]

There is a harmless sense in which 'more means worse'. When the printing press superseded the handwritten manuscript, the number of publications multiplied, and their average quality declined. But, because of the great expansion of published works, the absolute number of high-quality publications and their total readership both increased a great deal. It would be absurd to ignore the spectacular rise in the sale of paperback classics, on the grounds that popular tabloids sell in even greater numbers.

The concern of public policy in broadcasting (as in print publishing) should be not to regulate the whole market, but to do what it can by supplementary finance to see that the amount and range of high-quality material (however defined) are not squeezed out by economic change, but are, if possible, enhanced.

That is why Peacock paid so much attention in Stages 2 and 3 to the role of public service broadcasting, in the sense of high-quality or minority programmes in the Arts, current affairs, science and other specialist or minority areas. Some programmes could become commercially viable once there is a multiplicity of choice and pay-per-view is available. But the Committee did not wish to rely on this, and was conscious of the risks from the intermediate phase just ahead when regulation may have withered, but channels are still limited. The Committee therefore suggested a Public Service Broadcasting Council (or 'Arts Council' of the Air) which would be able to make grants to both the BBC and private enterprise broadcasters. It is discussed in detail by Sir Alan Peacock in Chapter 3.

POST-PEACOCK DEVELOPMENTS

Initial Government Reaction

According to Press reports at the time of publication in July 1986, the Thatcher Government was so disgusted with the recommendation not to press advertising on the BBC that the Peacock Report was shelved.

This was far from being the case. A Cabinet Committee under the Prime Minister was established to consider the key issues. According to one leading broadcasting journalist the Report scored a 'strike list' of about two-thirds on recommendations eventually accepted in the Broadcasting White Paper published in November 1988.

Unfortunately, the selective way in which the Government picked up specific proposals from the Report, while failing to accept its basic import, was unpromising. *To the extent that the Government endorsed some*

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[10] A notable example of the opposite argument, written from the point of view of broadcasting interests, is the House of Commons' Home Affairs Committee Report, *Broadcasting in the 1990s: The Challenge of Maintaining Standards*, London: House of Commons, 1988.

options were suggested for securing the Channel's independence while sustaining its income.

The DBS Saga

The Peacock recommendation for competitive tenders for the UK DBS franchise suffered a much sadder fate. The recommendation was essential to the consistency of the Report. But by July 1986, the IBA was well on the way to making a discretionary award. And soon afterwards, the contract for three out of the five channels on the British satellite was awarded to the British Satellite Broadcasting company (BSB). One of the BSB channels is to be financed on a subscription basis.

The whole DBS saga was, however, the epitome of everything that is wrong with the official industrial policy of selecting favoured ventures or companies. The award to BSB was the third attempt to launch a British high-powered satellite. One earlier attempt had failed because of official insistence on an all-British satellite. As a result the Government had become trapped into backing BSB against alternative means of transmission instead of ensuring a level playing field.

I remember, when sitting on the Committee, being suspicious of the rather too neat presentation of three kinds of possible transmission: (a) traditional off-air or terrestrial; (b) low-powered satellite channels transmitted via cable operators; and (c) high-powered satellites, from which the ordinary viewer could receive transmissions directly by means of a dish.

The thought occurred: 'Couldn't there also be a medium-powered satellite?'. And soon enough, to Whitehall's obvious embarrassment, came the announcement of a 16-channel medium-powered satellite, Astra, operated from Luxembourg. At least eight of these channels were likely to be in English, and in 1988, Mr Rupert Murdoch arranged to take four of them.

Another transmission system, the microwave MultiVideo Distribution System (MVDS), was also initially played down. Nevertheless, MVDS is a useful way of taking conventional television pictures and relaying them via a low-powered transmitter. Mr Andrew Glasgow of Marconi Communications has claimed that up to 30 channels could be transmitted by MVDS within a 30-kilometre radius to between 80 and 90 per cent of the UK population. The price of domestic receiver equipment would, he said, be much cheaper than the equipment for receiving DBS. The system, if permitted, could be especially attractive to companies now in cable who would reach far more homes within a similar franchise locality by MVDS. Fortunately, early hints that the Government would prevent or limit MVDS proved a false alarm and the White Paper offered cable operators freedom to choose their own transmission method.

In considering such matters, there is a very important if subtle distinction to be made between government intervention to remove a

distortion or facilitate the development of a market (where more official activity would be desirable) and the practice of usurping entrepreneurial or technological judgements. In the latter areas less activity would be desirable.

Peacock's 17th recommendation to remove all restrictions on Pay-TV was accepted. Mention has already been made of Peacock's interest in the possibility of a nationwide optical fibre grid. This is a high-quality cable which would enable an indefinitely large number of broadcasting and other messages to be transmitted, and two-way signals to be sent to and from households. Sir George Jefferson, then Telecom Chairman, had told the Committee that Telecom would be interested in replacing the copper wiring of household telephones with fibre optic, if it could act as a common carrier for a full range of services, including broadcasting.

Peacock's Recommendation 15 was designed to remove obstacles to organisations such as Telecom and Mercury from acting as common carriers. Unfortunately, Jefferson retired and Telecom management, not surprisingly, had cold feet about wanting to be a common carrier. But that was no excuse for the Department of Trade and Industry Steering Group rejecting 'for the time being' Recommendation 15, on the ground that it did not want to strengthen the Telecom-Mercury duopoly. The DTI failed to give adequate weight to the far greater competition that would become possible between channels and programmes if a fibre optic network were ever established by a regulated common carrier.

New Developments

The broadcasting scene, two years after the Peacock Report, was well described by Hurd in his Coningsby Club speech:

> 'Every week it seems our deliberations are interrupted by ingenious entrepreneurs and passionate evangelists bustling through the door with a new consultant's report, or a new technical marvel which they say transforms the whole scene'.

The different interests involved were, Hurd remarked, 'well-heeled, articulate and adept at identifying their own well-being with the public good'.

The most worthwhile new thinking on broadcasting arose as a byproduct of the previously mentioned Report by Charles Jonscher and associates on subscription. It was intended as a sequel to the Peacock Committee's recommendation of subscription as an eventual replacement for the BBC licence fee.

Jonscher and his associates concluded that Pay-TV was technically feasible and that the required decoding equipment would cost the consumer very little provided that (a) it was built into new television sets and (b) the Government established a common standard so that the same equipment could be used for all subscription services, whether cable, satellite or terrestrial.

Jonscher came out against subscription replacing the licence fee for

Peacock recommendations it is the letter that was accepted, and the spirit that was rejected. (As the proposed fifth channel is likely to be financed exclusively by advertising, even the letter, in its up-to-date form, has now been rejected.)

In putting forward the idea of a free broadcasting market without censorship, Peacock exposed many of the contradictions in the Thatcherite espousal of market forces. In principle, Mrs Thatcher and her supporters are all in favour of deregulation, competition and consumer choice. But they are also even more distrustful than traditionalist Tories of policies that allow people to listen to and watch what they like, subject only to the law of the land. They-espouse the market system but dislike the libertarian value-judgements involved in its operation – value-judgements which underlie the Peacock Report. The 1988 White Paper thoroughly muddles the issue by trying to equate censorship of officially disapproved programmes with consumer protection, which is an entirely different matter concerned with false claims and misleading packaging.

The whole idea of a First Amendment-type protection for freedom of speech has been turned down and policy is moving in an opposite and censorious direction.

Unfortunately, the opposition to the Government from the broadcasting fraternity is nearly all of a paternalist, interventionist kind. Thus I find it difficult to summon up any enthusiasm either for the Government's broadcasting policy or for the mainstream opponents of that policy.

Early Policy Announcements

The most important specific Peacock proposals to be accepted were the index-linking of the BBC licence fee and quotas for independent producers on both BBC and ITV.

An index-linked licence fee is immeasurably preferable to a yearly or even three-yearly haggle between the BBC and the Government. The fear of putting the licence fee increase at risk by displeasing the Government should be, if not removed, at least very much reduced.

At the same time there is powerful pressure to hold down costs and concentrate resources where the Corporation has an advantage, rather than to attempt to be 'in' on every development. In view of this constraint on rising costs, the failure to privatise the popular Radio 1 and Radio 2 channels is of modest significance. The onus is now clearly on the BBC itself to eliminate inessential or peripheral activities.

Again, the rejection of the licence fee for car radios was a minor matter, arguable either way. The more important change is that the BBC has been given responsibility for the collection of the licence fee. The Government's predictable rejection of the licence fee exemption for pensioners on supplementary benefits was unfortunate, but more on

Quotas of any kind jar against liberal market thinking. They can indeed have no permanent place in a competitive broadcasting market. But so long as the bulk of the population remains dependent on four terrestrial channels, run by the BBC-ITV duopoly, pressure to take independent output does increase the number of programme-makers, and the opportunities open to them. Already, the requirement to take an eventual 25 per cent of programmes from independents has changed mainstream broadcasters' attitudes to their whole cost and management structure. In a speech to the Coningsby Club on 22 June 1988, the Home Secretary, Douglas Hurd, went so far as to question the assumption that programme-making and channel operation should be in the same hands. Restrictions on contracting out are accordingly to be removed for ITV contractors. He also reminded the BBC and ITV contractors that they had no prescriptive right to the hitherto unoccupied night hours. The White Paper indicated that the BBC would lose the night hours on one of its channels and announced separate night-hour licences for ITV.

On the contentious issue of ITV franchises, the Government paved the way for a change in the basis of awarding by extending existing franchises for a three-year period up to 1992. The White Paper announced competitive tenders for the main ITV franchises, subject to safeguards for range and quality – safeguards which Peacock agreed would be necessary in the short to medium term until a full broadcasting market was established.

Unfortunately the type of tender announced was different from what the Peacock Report had suggested. The Peacock idea was that the tender payments (which could have been a proportion of revenue) would extract the economic rent for the taxpayer and make the ITV levy unnecessary. Instead the White Paper proposed a belt-and-braces approach, with a progressive revenue levy on top of the tender payments. The Committee had said that clear and explicit reasons would have to be given for awarding the contract to anyone other than the highest bidder. The Government suggested instead a two-stage bid, in which the highest bidder would automatically win the second stage, even presumably if he offered £5 more than the runner-up. Moreover, the competitive tender need only occur once. For if the new Independent Television Commission were satisfied, the existing holder could apply to have his licence renewed, after paying a formula-based renewal fee, towards the end of the initial 10 years' licence period. This looked like a successful counter-attack by the Home Office, which never liked the tendering idea.

As for Channel 4, the Government rightly came down in favour of retaining its special remit to cater for minority interests and innovation, while continuing on the publishing house model to purchase much of its programmes from independent producers. On the other hand, it favoured severing the links with the ITV contractors who have up to now sold

BBC mainstream transmission partly on the previously discussed 'public good' grounds and partly because he believed that subscription revenue would be far too low to finance the present BBC channels. He considered, however, that Pay-TV should be used to finance extra BBC services (e.g., for downloading on to video recorders in the 'silent hours') and for some late-night and weekend BBC2 transmissions.

But the main early recommendation for Pay-TV was to finance new terrestrial channels. In making the case for the latter, Jonscher demolished decades of mythology about spectrum shortage, but also embarrassed the Whitehall establishment which was committed to the British DBS and did not want to see it threatened by 'premature' competition.

The Government was inclined to make haste slowly on new terrestrial channels because of its commitment to BSB, due to come on air in 1989 – even though a dish aerial is likely to be more expensive than the terrestrial equipment required to receive a fifth channel. The Government is to authorise a fifth channel by 1993 after BSB has had a four-year start. This is expected to cover 65-70 per cent of the population. The Government is to study the feasibility of a sixth channel with 50 per cent coverage.

Research such as Jonscher's suggested that the main market for Pay-TV was for premium services, such as newly released films and major sports events. Although Arts channels have not yet prospered on the existing European cable networks, their full potential on a continental basis has yet to be exploited.[11]

The next choice to be made is how a fifth channel is to be financed. The Government has opted for a competitive tender for Channel 5, with the bidders deciding whether to use Pay-TV or advertising finance. The choice is thus highly likely to be for advertising. This is not the market policy it appears on the surface. For reliance on advertising involves unfavourable externalities and distortions which public policy ought to correct when it can easily do so, as in this case.

France already has a pay-television channel, Canal Plus, which is terrestrial, unlike US pay channels, such as Home Box Office. Canal Plus is the second largest pay channel in the world. It had more than two million subscribers in 1988, and was expected to make a profit of well over £50 million.[12] The Canal Plus subscription rate was £16 per month whereas UK studies tended to assume a lower rate of around £8 to £10, and a higher penetration target. The capital costs of transmission for a fifth channel operator would, in any case, be far less than for DBS, and the decoding equipment for the channel would be much less expensive than the dish required to receive transmissions from the high-powered satellite.

[11] Brian Wenham has suggested that a Music Live Channel calling on Western European opera houses and concert halls might find an audience of more than two million subscribers who would be happy to pay £100 per annum or more. (*Broadcasting: Questions for the 1980s*, Cabinet Office, Office of the Minister of the Civil Service, June 1988.)

[12] Alan Budd, *A Fifth Television Channel*, London: LBS, 1988.

Government Thinking

The debate on new channels took a fresh turn in the summer of 1988 when Lord Young, the Trade and Industry Secretary, came out with a strange proposal to put BBC2 and Channel 4 on the two channels of the British DBS not occupied by BSB. The idea was to transfer the two 'cultural' channels on to the satellite where they would be available only by subscription. The proposal met with strong opposition and was soon withdrawn. But as the underlying thinking remains, it is still worth discussing.

The notion of putting BBC2 and Channel 4 on DBS was a travesty of the whole subscription and Pay-TV case. While there is an argument for Pay-TV for minority channels, there is no case for forcing viewers to use the expensive high-powered satellite system when much cheaper terrestrial Pay-TV is possible.

One idea behind the Young project was to release terrestrial frequencies to provide several extra advertising-financed channels. The Government was over-influenced, as the White Paper showed, by lobbies of advertisers who complained about the 'cost' of advertising time. This so-called excess cost consisted of two elements. One was a genuine resource cost arising from inflated television costs, due to the ITV monopoly of advertising finance. The second was an allocational loss arising from the price (not the cost) of advertising being higher than it would be in a market with more suppliers. As a result, 'too little' was being spent on television advertising relative to other forms of business expenditure.

The first cost will come down with the proliferation of new media, which has already cast its shadow and has led to cost-cutting drives among the ITV contractors. The process will be hurried on by the competitive tender for commercial television franchises. The second allocational effect is of a highly rarefied kind, normally occupying the attention of theoretical welfare economists rather than Cabinet. It is of the second order of smalls.

The reason why advertisers and their Cabinet supporters became so interested in more advertising-financed channels was a straightforward, but misplaced, commercial interest in paying less for each advertisement. 'Misplaced' because the campaigners failed to see that if the number of advertising channels is doubled, each advertising minute is likely to reach only half as many viewers. The only way to reduce the cost per viewer minute would be either to make major inroads on the BBC's half of the television audience or to increase the permitted number of advertising minutes, which could easily reduce viewer satisfaction. The White Paper hinted at a likely move to increase advertising minutes without any viewer research.

The whole episode showed the ever-present danger that a Conservative Government would confuse a market-promoting policy with one of initiating deals with, or between, particular commercial enterprises – the

notorious policy of picking so-called winners. The danger was enhanced by the preference, especially in the DTI, for business rather than economic advisers.

The Coningsby Club speech by Douglas Hurd, already mentioned, was apparently more in line with Peacock thinking. Mr Hurd reminded his audience that he had accepted the recommendation against imposing advertising on the BBC, and that the licence fee had been linked to the Retail Prices Index (RPI), 'which imposes in practice a substantial financial squeeze'. He then went on to say that the licence fee could not

> 'be regarded as immortal. As choice multiplies and the average viewer has more and more channels to choose from, it will become less and less defensible that he should have to pay a compulsory licence fee to the BBC, irrespective of the extent to which he watches its programmes ... subscription enables the viewer to pay precisely for what he wants; and I am sure that this is the direction in which the BBC should move'.

In a world of numerous rival channels it will, indeed, become more and more difficult to justify forcing the taxpayer to pay through the licence fee for the BBC's massive network of television and radio services, covering everything from light entertainment to the occasional genuinely cultural programme, whether or not he wants to watch it.

The 1988 White Paper came out in favour of a shift from the licence fee to subscription. It was vague about the timing, but announced that the licence fee would rise by less than the RPI from April 1991 onwards – far earlier than anything the Committee had in mind.

Reduced Urgency of BBC Subscription

To be blunt, developments since the Report have reduced the urgency of subscription to the BBC as a step to a full broadcasting market. In paragraph 607 the Committee gave five reasons for BBC subscription:

1. It would accustom viewers to paying for television directly rather than through the licence fee or advertising.
2. There would be less reason for viewers to resent payment of a voluntary subscription than a compulsory licence fee.
3. The Committee was optimistic about the BBC's ability to attract subscription revenue.
4. Subscription to the BBC might be a stepping stone towards a wider use of pay-per-channel, and eventually pay-per-view.
5. Subscription would reduce the political dependence of the BBC on the Government of the day.

Arguments (5) and (2) retain their force, in that order. The Jonscher

research, suggesting that Pay-TV could not finance the BBC's present output, does, however, affect Argument (3). Without being starry-eyed about market research, the Jonscher work goes at least a little way towards undermining the original optimism.

The most important developments, however, affect Arguments (1) and (4). With the possibility of more terrestrial channels financed by Pay-TV, and with the BSB committed to one Pay-TV channel (and with other possibilities on the horizon), subscription to the BBC is no longer so important as a way of introducing the viewer to direct payment for his or her programmes.

The Peacock Report itself had in mind 'the later 1990s' for the transition to subscription for the BBC, which would allow a reasonably long run for the index-linked licence fee. The Committee, in contrast to the Government's White Paper, called for a political decision to be made first on the minimum proportion of households which had to have the decoding equipment before the transition could be made.

There is thus everything to be said for playing the issue long. The BBC needs to soften its dogma about universal reception, and experiment with Pay-TV services, not merely in the now silent early-morning hours, but at other times too, as Jonscher suggested. The Corporation obviously cannot afford a full morning to night high-quality BBC2. It would therefore surely do better to substitute programmes which would attract the paying viewer for some of its present fill-in, daytime items. The change would save expense and provide revenue to improve the quality of the main evening transmissions.

The Government, for its part, needs to be very sure that it has secured the financing of the informative and minority programmes (public service in the stricter sense) which may not be profitable in the market-place, but which people would still want in their capacity as citizens and voters. All the kite-flying and jostling for position have shown how urgent it is to make an early start on the Arts Council of the Air before too many minority programmes are squeezed out of terrestrial transmission.[13] But again the Government dodged its responsibilities by postponing the issue until 1996, when the BBC Charter is due for renewal.

Some residual licence fee or other tax will probably always be necessary to finance such programmes, whether through the Arts Council of the Air or directly. Before running down the BBC by enforcing subscription, the Government needs to establish this Council and also ensure that there really is a multiplicity of channels available to most viewers, and not merely for a few satellite or cable enthusiasts.

If the BBC did not already exist, it certainly would not be invented. But we are not establishing a broadcasting system in a new country. The BBC

[13] The Council could make a start on a small scale by providing guarantees to makers or sponsors of selected programmes, in the same way that commercial firms have guaranteed but not directly financed major exhibitions at public art galleries.

itself must surely realise how difficult it would be to justify the present scale of licence fee in the next century, either as a promoter of popular programmes, or of minority specialist or public-interest programmes. Yet as long as there are plenty of other channels, the existence of the BBC does not interfere with a competitive broadcasting market. The urge to privatise it, or run it down prematurely, is symptomatic of a misconceived approach to market economics more concerned with destruction than creation.

A Fibre-Optic Network?

The vision of a fibre-optic network, with a near infinity of channels on which any would-be broadcaster could hire time, suffered a setback following Telecom's loss of interest. Technical developments also reduced some of the urgency. It became clear that two-way addressable decoders giving pay-per-view facilities could be provided without the expense of a fibre-optic network.

In addition, the probable increase in the number of new channels was even greater than Peacock envisaged; and there was likely to be a good deal of channel space available for any group wanting to transmit programmes. The most promising early step might have been BSB's suggestion that one of the two unallocated channels on the UK DBS should be used as a common carrier on a pay-per-view basis.

But the Government showed a wooden and flat-footed understanding of a market economy by rightly announcing in the White Paper that the remaining two channels would be put to competitive tender, but omitting provision for anything like the BSB idea.

If broadcasting is ever to be like print publishing, broadcasters need to have the same opportunities to place their wares in the market-place without running into any potential shortage of channels. At present the only known way of achieving this fully is through the virtually unlimited capacity of a fibre-optic network available on a common carrier basis.

Peter Jay originally suggested public-sector control or operation of such a network on a public utility basis because the common carrier would be able to charge a monopoly rent. But if demand for the services is insufficient to secure a normal return, let alone a monopoly return, the problem is reversed. There may be spillover benefits which would justify a subsidy but, pending a full cost-benefit analysis, it is not obvious what they are. (The French Government's decision to go slow on its original plans for a fibre-optic network has deprived other countries of much useful information which would have been obtained at the expense of the French taxpayer!)

A fibre-optic network is most likely to be a commercial runner if broadcasting services can be combined with other facilities, including banking and shopping. But we still need to make sure that opportunities

are not stultified by government prohibitions or commitments of the kind mistakenly endorsed by the DTI Steering Group.

CONCLUSION

To a liberal, the most striking aspect of broadcasting is the absence of the tradition of free expression – a tradition to be found, for instance, in the print media and, since the abolition of the Lord Chamberlain's censorship, in the theatre.

The main political camps are equally unprepared for a free broadcasting market, subject only to the law of the land. The Left and the broadcasting establishment are both supposedly against censorship and political interference. But they are hostile to the market which alone can provide an opportunity for viewers and listeners to make their own choices. They rely on governments to regulate broadcasting closely, but to exercise a self-restraint in the use of their power, the like of which has never been known in the history of the world.

The radical Right cries out for competition and choice, so long as people do not choose to watch programmes regarded by their political friends as offensive and so long as broadcasters do not rock the political boat. The Peacock recommendation that was most decisively rejected by the Thatcher Government was that which looked forward to the phasing out of all regulation and the use of the normal 'law of the land' to cover matters such as obscenity, defamation, sedition or blasphemy.

There were numerous ministerial references to the need for regulation with a lighter touch; and this was given as one reason for replacing the IBA with a new quango to be called the Independent Television Commission (ITC). But on the basic 'First Amendment' issue of not restricting freedom of speech or artistic expression and no pre-publication censorship, Government policy moved backwards.

There were numerous attempts to lean on broadcasters to stop some programmes, and other programmes incurred well-publicised prime ministerial disapproval. On any individual programme (as in any one of the 'secrets' trials) the Government might have had a case on national security grounds. But the length of the list of such programmes suggests either that national security was extended to anything of which the Government disapproved, or that the Government still regarded the BBC (and perhaps ITV) as the voice of the nation rather than as competitive organisations in a market-place.

New-Style Authoritarianism?

The Broadcasting Standards Council, established in 1988, was the first expression of the new-style authoritarianism. The endearing qualities of its first Chairman, Lord Rees-Mogg (who said on appointment that he was re-reading Locke and Mill), could lead to an altogether false sense of re-

assurance. For who knows who will succeed Rees-Mogg? Or whether the Council will be given legal powers? Or its ambit extended beyond 'violence and sex'? The body is inherently objectionable.

It is little consolation that restrictive intentions are just as prevalent in other European countries, as shown by the attempts to formulate a common broadcasting policy in the Council of Europe and the European Community. The emphasis elsewhere in Europe is particularly on protection, by quotas or similar means, against programmes originating in other areas, especially the USA. This is an aspect of the inward-looking and protectionist tendencies which emerge when Eurocrats are left to themselves.

The new technology will, fortunately, increase the difficulties of governments trying to police the air. Satellite transmission from distant places will be less at the mercy of London censors than the BBC or the mainstream ITV companies.

But it would be over-sanguine to rely on technology for salvation. The broadcasts designed for Britain from the announced DBS systems (whether on the BSB satellite or Astra) will be beamed from this country and subject to UK Government control. The cable companies could lose their licences if they take services which persistently ignore Thatcher, Rees-Mogg and their successors. Determination and powerful equipment will be required by viewers who want to see programmes beyond the official pale.

The most Orwellian section of the White Paper is indeed the last page, threatening draconian penalties for anyone who advertises on, or sells supplies to, or advertises the services of, a satellite service which offends the Government's idea of propriety.

Like other controls, broadcasting controls will not be completely effective; yet they still represent a major interference with choice and freedom. Constant vigilance will continue to be the price of liberty in broadcasting, as in all other walks of life.

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THE FUTURE OF PUBLIC SERVICE BROADCASTING

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BACKGROUND TO THE 'NEW ERA' OF BROADCASTING

WITHIN A VERY SHORT TIME there are likely to be enormous changes in the structure and financing of television broadcasting which may be listed as follows.

A Wider Choice of Channels

Viewers will be able to choose from a much larger number of channels. In addition to the present four terrestrial channels, the Government may permit the use of the radio spectrum for at least one more national terrestrial channel. At least a dozen channels will be available for direct satellite transmission to domestic receiving dishes within less than two years, and the price of dishes is falling rapidly. Cable stations already offer 15 channels. Thus there will be relatively few people in the UK who will not be able to view at least three times as many channels as they do at present, and within a remarkably short space of time. Indeed, hotels and public buildings in urban areas already offer a bewildering variety of choice by conventional British standards.

Direct Charging

The removal of spectrum shortage as a limiting factor on transmission is being accompanied by the prospect of being able to charge the consumer directly for television channels and programmes. The rapidly falling cost of adapting sets, so that only those viewers willing to pay can receive